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Stage II Handbook

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Editor's Viewpoint

During the past couple of months, I've been playing a word association game in conversations I've had with some of our readers. I'd say a word and ask them to say the first thing that came to their minds.

Let's try it with you. I'll throw out a word and you think of the first word or phrase that pops into your mind. Try "Stage II." Now, I can't look into your mind, but I'll bet your immediate reaction is the same I've heard when using that term with others, comments like: "vapor recovery," "cumbersome," "costly," "protects the environment," "a fact of life," "useless," etc. I've even heard a few expletives. Regardless of what your opinions are, Stage II vapor recovery controls are quickly becoming a reality for most of you.

Those of you who haven't taken Stage II seriously might want to take heed. Stage II is coming and the real issue is how you can adapt and make the transition as painlessly and inexpensively as possible. And don't count on the Environmental Protection Agency mandating onboard canisters as an alternative, because some states are still requiring the installation of vapor recovery controls.

If you're like marketers who are already using the equipment, you probably think Stage II is a pain in the neck. However, the good news is that many of those marketers have successfully managed to contain costs and implement successful operating and maintenance procedures. In addition, continuing improvements in the technology by equipment suppliers is easing the transition.

Making the switch to vapor recovery doesn't have to be overly tedious or frustrating. As one motorist told me, "I'll admit in the beginning it was a real pain, but now I don't even realize the difference. It just takes getting use to it." I think her comments pretty much sum up the feelings of many motorists.

"Getting used to it" is a pretty sensible course of action. This is why we have put together the comprehensive Stage II pullout handbook that begins after page 36. The reference guide outlines tips you can use for meeting state and federal regulations. It also highlights those innovative marketers who have learned to cope with the equipment. These trailblazing marketers are discovering unique ways to reduce maintenance costs and extend the life of their Stage II hardware.

As one former Midwest dealer notes, the best approach to help your customers is to get out on the islands and show them how to use the new hardware. He recommends giving your customers a candy bar or some other item as a "reward" for their patience. He stresses taking a positive approach and explain how the government has mandated the nozzles to protect the environment.

Let's face it, you might not be enamored with the regs, but it's the law. Maybe we at *NPN* can help you make the transition as headache-free as possible.

—Peggy Smedley

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Using advanced technology and a discount pricing strategy, Middle Ridge Amoco & Car Wash, Woodbridge, Va., has blown its competition out of the water.

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Oil Employment Varies From +108% to -68%

Shell's surprise disclosure that it expects to cut its work force 10-15% by the end of 1992 focuses attention on the fact that the oil industry itself has been on a hire-and-fire, expand-and-retrench sort of a roller coaster for the past 10 years.

Shell conceded that its retrenchment plan was a top management decision to stem or halt the eroding profitability of recent years. The current payroll is 31,600, according to Shell's 1990 annual report. A 15% reduction would reduce this work force by almost 5,000 employees. That would cut the company down to about the size of Arco or Marathon in the number of people manning its offices and facilities. The catch here is that Shell is a national company—indeed it is the nation's No. 1 gasoline retailer—while Arco and Marathon are considered to be regional types. Shell's national retailer title may be put in jeopardy by its cutback and a parallel decision to sell its refinery near Los Angeles (See related news article on page 26).

Shell says it will offer voluntary retirements to most targeted employees and then follow through with layoffs to reach its goal.

Over the past decade, there has been much movement up and down in the number of oil company employees.

For example, Mobil has about 145,000 fewer people working for it now than it did in 1980. That sounds like a staggering cut until it is recalled that much of it came about by Mobil's jettisoning of Montgomery Ward and Container Corp. of America as corporate payroll subsidiaries.

Similarly, Exxon's payrolls are down 72,000 vis a vis 1980. Here again, restructuring and some painful elimination of subsidiaries were responsible. Texaco's annual report shows that it has almost 30,000 fewer people working for it now than in 1980. Texaco not only went through bankruptcy and a series of corporate overhauls, but also joined Saudi Arabia in a 50-50 deal for ownership of Star Enterprise, which subsequently absorbed thousands of Texaco employees.

Amoco and Chevron report very little change in their payrolls over the past decade. Amoco, now at 54,100 people, had been down to 48,200 in 1948. It also had been up as high as 58,000 in 1982. That's a high/low variation of as many as 10,000 employees. Chevron, when it bought Gulf Oil in 1984, was down to 38,900 employees, compared with 54,300 in 1980. Subsequently, Chevron sold off most of the Gulf properties, but its employee count went from 40,900 people in 1986 to 54,200 in 1990.

Another interesting company is BP America. In 1980, what subsequently became BP America was the old Standard Oil Co. of Ohio. Sohio, as it was then called, had 22,500 employees. Its peak was 54,700 in 1981, a result of its merger with Kennecott Copper. The total declined to 39,700 in 1986 as changes and consolidations implemented by the American company's corporate overlords in BP/London kept the corporate payroll totals in a state of flux. The 1990 total was down to 37,200, but this can be expected to rise in the '90s as BP America continues an expansion program currently underway.

Marathon's 10-year span includes a growth of 11,000 employees. This also looks big until it is recalled that Marathon, in 1980, was the old Ohio Oil Co. which had a more limited marketing perspective than the present Marathon, a wholly owned subsidiary of USX Corp. that has been talked about as a potential standalone oil company in the mid-'90s.

In all, over the past 10 years, 13 oil companies have reduced their payrolls from 0.2% to 68.2%. Eight others have increased the number of people working for them from 3.3% to as much as 107.7%.

The Ups and Downs: Oil Company Employment—1980-1990

	(In thousands)						% Chng	High/Low	
	1990	1988	1986	1984	1982	1980	'90 v '80	Yr/Emp.	Yr/Emp.
Amerada Hess	9.6	8.2	7.8	8.4	8.9	8.4	14.3%	'90/9.6	'86/7.8
Amoco	54.1	50.1	48.2	55.2	58.2	54.3	(0.4)	'82/58.2	'87/46.8
Arco	27.0	26.5	29.0	39.9	52.9	53.4	(49.4)	'80/53.4	'87/26.2
Ashland	35.6	39.7	33.6	31.5	32.5	24.6	44.7	'88/39.7	'80/24.6
BP America	37.2	40.6	39.7	44.2	49.0	22.9	62.4	'81/54.7	'80/22.9
Chevron	54.2	52.7	40.9	38.9	42.5	54.3	(0.2)	'80/54.3	'84/38.9
Citgo	3.3	3.2	3.4	3.8	NA	NA	NA	'84/3.8	'88/3/2
Coastal	13.5	18.4	16.4	5.4	7.1	6.5	107.7	'88/18.4	'84/5.4
Conoco	19.3	18.7	19.6	21.2	21.1	19.7	(2.0)	'84/21.2	'87/18.3
Exxon	104.0	100.5	123.0	150.0	173.0	176.6	(41.1)	'81/180.0	'87/101.0
Fina	3.8	3.2	3.4	3.1	2.6	2.7	40.7	'90/3.8	'82/2.6
Kerr-McGee	7.3	7.7	7.9	9.6	10.5	11.1	(34.2)	'81/11.2	'90/7.3
Marathon	26.1	24.1	24.8	20.5	17.0	15.2	71.7	'89/26.6	'80/15.2
Mobil	67.6	68.9	146.8	178.5	197.2	212.8	(68.2)	'80/212.8	'90/67.6
Murphy	4.3	4.5	4.8	5.9	5.4	4.7	(8.5)	'84/5.9	'90/4.3
Pennzoil	7.9	8.1	7.3	8.7	9.5	10.2	(22.5)	'81/10.3	'89/6.1
Phillips	22.1	21.8	23.6	28.9	32.1	32.4	(31.8)	'81/33.5	'88/21.8
Shell	31.6	32.4	32.6	34.7	36.5	36.6	(13.7)	'80/36.6	'90/31.6
Sun	21.3	22.0	30.7	37.4	43.3	48.8	(56.3)	'80/48.8	'90/21.3
Texaco	39.2	46.0	53.2	61.4	63.5	66.7	(41.2)	'80/66.7	'90/39.2
Unocal	17.4	18.2	19.1	20.5	19.7	15.0	3.3	'84/20.5	'90/17.4

• TRENDS

Shell's No. 1 Retailer Crown?

Shell Oil's decision to sell or close down its 68-year-old Los Angeles area refinery might have set in motion a series of events that could cost it its crown as the nation's No. 1 gasoline retailer.

The complicating factor was Shell's subsequent announcement that it expects to trim its work force 10-15% by December 1992. This could hurt, too, depending on the impact of its retrenchment program downstream.

Shell overtook Chevron as the national title-holder in 1986 and, except for 1989, hasn't faltered a whit in retaining it. Naturally, it is very proud of its reputation of being No. 1 in the American gasoline marketplace, especially since its owners are foreigners, so to speak. Shell is the wholly owned subsidiary of a British-Dutch combine known as the Shell/Royal Dutch Shell Group of Cos.

But some domestic scenario dreamer-uppers now say that the refinery sale (or shutdown) could have both short-term and long-term repercussions for Shell in the national share-of-market derby, no matter who its parents are.

This is how some market analysts see things now:

Shell relies heavily on its 120,000 b/d refinery at Wilmington, on the outskirts of Los Angeles, to retain its grip on 15% of this marketplace, said to be the world's largest. This 15% is estimated to be worth about 1.3-billion gal. annually. Keep that figure in mind.

Once the refinery is sold, Shell will have to rely on outside suppliers for much of the gasoline it retails in Los Angeles and southern California. It will, of course, have access to product from other Shell refineries on the West Coast—the 140,000 b/d facility at Martinez, Calif., and the 85,000 b/d at Anacortes, Wash. But Carson's 120,000 b/d will be a lot to compensate for. Moving product down from those plants will be more expensive, too.

Shell is hopeful that it can make a supply deal with the buyer of the Wilmington refinery. If it doesn't succeed, it will have to compete for wholesale prices in an open marketplace that's not only the biggest, but also one of the fiercest in anything involving money. Even Shell exec Steven Miller concedes that Shell's presence in the Los Angeles marketplace is going to suffer when the refinery is sold.

First, he was quoted as saying, Shell would have to stop selling gasoline in the wholesale market. It also would have to cut sales to its unbranded dealers and may have to consider reducing supply of some Shell retailers.

But what does all this have to do with Shell's image and role as the Nation's No. 1 gasoline retailer? As noted above, Shell owns about 1.3-billion gal. in the LA metro marketplace. Any significant loss in retail volume in the Los Angeles area couldn't help but impact on Shell's total for the 50 states and the District of Columbia.

In 1990, Shell had only a 0.5% gain in total volume. The year before was a loser, down 4.4%, but that wasn't enough to disenfranchise itself as top dog.

Shell's national volume in 1990 was only 600-million gal. greater than second-place Chevron's. Now, 600-million gal. is a lot of gasoline, but in marketplace terminology where 10-billion and 100-billion gal. are the yardsticks, it's not such an overwhelming amount at that. Thus Chevron, with a bit of a surge coupled with a significant loss of volume by Shell in California, could easily euchre Shell out of first place just as easily as Shell knocked off Chevron in 1986.

An interesting note: Trade sources say Shell is probably expecting about $500-million or so for the facility. But if no buyer emerges, then what? Shell has said it would close down the facility because essential spending and environmental spending could cost up to $200-million/yr. Thus, it wouldn't get the $500-million it wants for the refinery, and its supply problems would only be compounded.

Another notable item: Hottest prospect as a buyer, financial sources say, is BP America, which has gobs of Alaskan crude at its disposal and an urgent need for West Coast processors to take advantage of the unique situation. BP America, which has made no bones about its desire to be "big" on the West Coast, recently bought a small Washington refinery and several retail outlets. Oilmen say there is much more to come and soon.

—J. Richard Shaner

• MARKETPLACE AT A GLANCE

AVERAGE GASOLINE PRICES IN THE U.S. (per gal.)

MARCH	Gasoline (All types)	Leaded Regular	Unleaded Regular	Unleaded Premium
U.S. City Avg.	$1.209	*	$1.156	$1.331
Regions				
Northeast	1.269	*	1.196	1.394
North Central	1.221	*	1.182	1.343
South	1.198	*	1.130	1.305
West	1.153	*	1.117	1.288

** Data no longer collected or available.*
Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

STOCKS (Add 000 bbl.)

	6/28/91	6/29/90
Gasoline (Total) [a]	219,167	215,538
Jet Kerosine	42,300	41,526
Distillates	113,588	111,058
Residual	44,162	44,004

[a] Effective 7/2/91, only total gasoline stocks are being reported; unleaded gasoline stocks have been dropped.
Source: American Petroleum Institute.

NOTE

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